



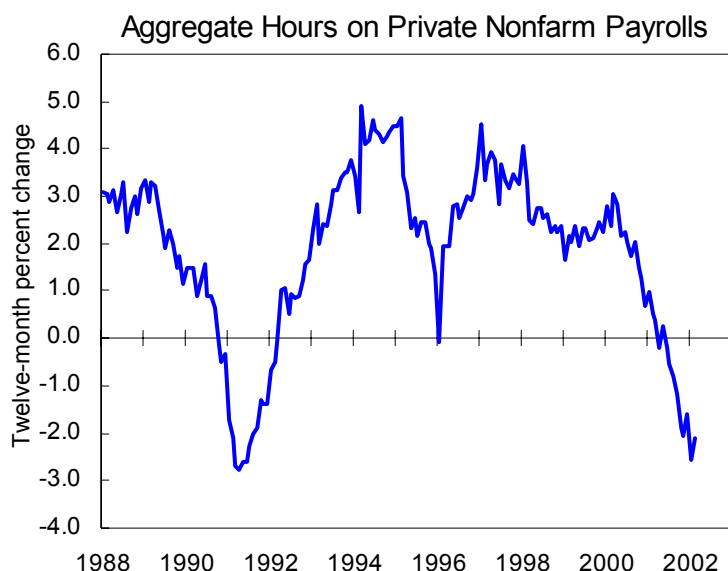
WEEKLY ECONOMIC DIGEST



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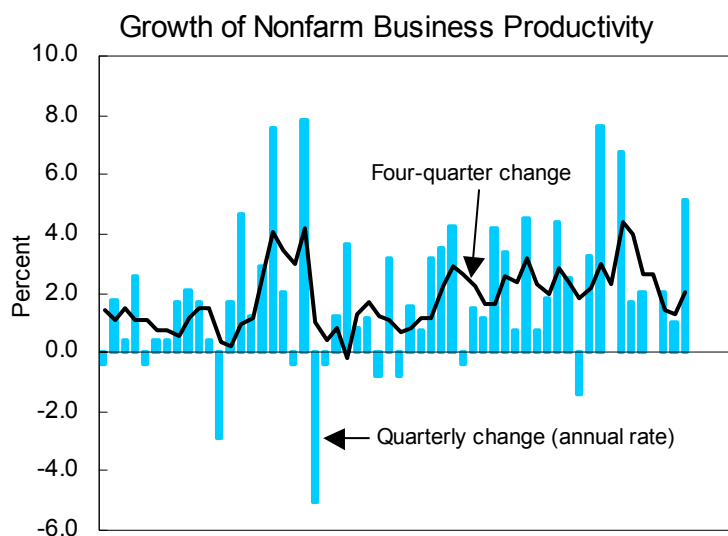
March 12, 2002

Employment Outlook Still Murky Despite Favorable Jobs Report



1988 1990 1992 1994 1996 1998 2000 2002

Source: Bureau of Labor Statistics, U.S. Department of Labor.



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- **Unemployment edged down in February.** The civilian unemployment rate fell to 5.5 percent in February from 5.6 percent in January, surprising most analysts, who were expecting an increase. The number of unemployed remained at 7.9 million, although the labor force rose substantially.
- **Payroll employment rose in February, but hours remained weak.** After declining for six months, nonfarm payroll employment increased in February by 66,000 jobs. However, employment has not followed normal seasonal patterns this year and the Bureau of Labor Statistics' (BLS) seasonal adjustments may have overstated job gains, particularly in retail trade. After declining by 0.3 percent in January, aggregate weekly hours of production or non-supervisory persons on private nonfarm payrolls increased by only 0.1 percent in February to a level that is 2.1 percent below a year ago. The average workweek remained at 34.1 hours, unchanged from the January level.
- **Growth of productivity spiked in the fourth quarter.** Output per hour in nonfarm businesses grew at an annual rate of 5.2 percent in the final quarter of last year, according to revised estimates by the BLS. That rise put the level of nonfarm productivity 2 percent above its level a year earlier. Output rose by a modest 1.2 percent while hours worked fell by a substantial 3.8 percent.
- **The near-term outlook for production keeps improving.** The March *Blue Chip Consensus* anticipates that, after adjustment for inflation, gross domestic product will rise at an annual rate of 2.6 percent this quarter, up a full percentage point from last month's outlook. Because hours have remained weak, productivity may continue to grow at a faster-than-average rate in the current quarter. However, most analysts do not believe the current pace of productivity growth is sustainable for long. Sustained increases in output would require hours to grow more rapidly than has been the case.

Economy At A Glance	Feb	Jan	Dec	Nov	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2001	2000
Economic Activity										
Real GDP (% growth)					1.4	-1.3	0.3	1.3	1.2	4.1
Industrial Production (% growth)*		-1.2	-3.5	-4.7	-6.9	-4.7	-5.9	-6.1	-3.7	4.5
Capacity Utilization (Level, %)*		74.2	74.4	74.7	74.7	76.2	77.4	78.9	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.5	5.6	5.8	5.6	5.6	4.8	4.5	4.2	4.8	4.0
Housing Starts (Thousands)		1678	1579	1616	1571	1601	1623	1627	1606	1575
Real Disposable Personal Income (% growth)		18.9	4.6	1.6	-7.9	12.3	2.4	2.7	3.6	3.5
Retail Sales (% growth)*		-2.8	2.3	-29.7	12.2	-1.3	5.5	4.8	3.5	7.6
Personal Saving Rate (Level, %)		1.8	0.6	0.4	0.4	3.8	1.1	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		2.4	-1.2	-1.2	-0.3	0.7	3.1	3.9	2.8	3.4
Core CPI-U Inflation (% growth)		2.4	1.2	4.9	2.7	2.7	2.4	3.0	2.7	2.4
Compensation per Hour (% growth)					4.1	3.6	4.1	4.5	4.1	4.4
Output per Hour (% growth)					5.2	1.1	2.1	-0.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.7	1.7	1.7	1.9	1.9	3.2	3.7	4.8	3.4	5.8
T-Note Rate, 10-years (Level, %)	4.9	5.0	5.1	4.7	4.8	5.0	5.3	5.1	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.8	2.1	2.1	3.5	4.3	5.6	3.9	6.2
Dow Jones Industrial Avg (Index Level)	9891	9924	9980	9722	9641	9934	10669	10513	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Major Economic News Due This Week:

- **Retail Sales, February (Advance)** [Release: Wednesday, March 13, 2002]
- **U.S. Current Account, Fourth-Quarter 2001** [Release: Thursday, March 14, 2002]
- **Producer Price Index, February** [Release: Friday, March 15, 2002]
- **Industrial Production, February** [Release: Friday, March 15, 2002]